

LEGISLATIVE AUDIT COMMISSION



Review of
Statewide Single Audit
Year Ended June 30, 2005

Limited Review Including
Department of Human Services

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Springfield, Illinois 62706
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REVIEW: 4251
STATEWIDE SINGLE AUDIT
YEAR ENDED JUNE 30, 2005

Limited Review Including
Department of Human Services

TOTAL FINDINGS/RECOMMENDATIONS - 101

TOTAL REPEATED RECOMMENDATIONS - 44

TOTAL PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 71

Beginning with FY2000, the Office of the Auditor General converted to a Statewide Single Audit approach to audit federal grant programs. In prior years, audits of federal grant programs were conducted on a department by department basis. This review summarizes the FY05 Statewide Single Audit of federal funds. The compliance audit testing performed in this audit was conducted in accordance with *Government Auditing Standards*, the federal Single Audit Act, and Office of Management and Budget (OMB) Circular A-133. The auditors stated that the financial statements were fairly presented.

The Statewide Single Audit includes all State agencies that are a part of the primary government and expend federal awards. In total, 43 State agencies expended federal financial assistance in FY05. The Statewide Single Audit does not include those agencies that are defined as component units such as the State universities and finance authorities.

The Schedule of Expenditures of Federal Awards (SEFA) reflected total expenditures of \$15.89 billion for the year ended June 30, 2005. This represents a \$32 million decrease over FY05, or almost 2%. Overall, the State participated in 347 different federal programs; however, ten of these programs or program clusters accounted for approximately 81.1% (\$12.89 billion) of the total federal award expenditures as exhibited in the following table.

Federal Program Award	Total Expenditure	% of Total
Medicaid	\$ 6,075,800,000	38.2%
Unemployment Insurance	2,080,400,000	13.1%
Food Stamps	1,439,700,000	9.1%
Highway Planning, Construction	848,200,000	5.3%
TANF	585,600,000	3.7%
Title 1 Education Grants	471,900,000	3.3%
Special Education	410,100,000	3.0%

Federal Program Award	Total Expenditure	% of Total
Child Nutrition	\$ 342,800,000	2.2%
Children's Insurance Program	260,500,000	1.6%
Foster Care	249,500,000	1.6%
All Others	3,004,000,000	18.9%
Total Federal Awards	\$ 15,890,700,000	

The funding for the 347 programs was provided by 21 different federal agencies. The table below shows the five federal agencies that provided Illinois with the vast majority of federal funding in FY05.

Federal Funding Agency	Total Grant	% of Total
Health & Human Services	\$8,153,400,000	51.3%
Labor	2,320,800,000	14.6%
Agriculture	2,129,100,000	13.4%
Education	1,772,500,000	11.2%
Transportation	1,018,100,000	6.4%
All Others	496,800,000	3.1%

A total of 53 federal programs (or 37 programs/clusters) were identified as major programs in FY05. A major program was defined as any that meets certain criteria when applying the risk-based approach. In FY05, all of the 37 major programs/clusters involved federal award expenditures exceeding \$30 million. The 37 major programs/clusters had combined expenditures of \$15.124 billion, and 294 non-major programs had combined expenditures of \$766.6 million. Ten State agencies accounted for approximately 95.2% of all federal dollars spent in FY05 as depicted in the table below.

State Agency	Federal Expenditures	% of Total
Public Aid	\$ 6,427,900,000	40.5%
Human Services	2,938,300,000	18.5%
Employment Security	2,167,200,000	13.6%
Board of Education	1,829,200,000	11.5%
Transportation	990,000,000	6.2%
DCFS	436,100,000	2.7%
ISAC	222,800,000	1.4%
DCEO	220,900,000	1.4%
Public Health	135,000,000	.9%

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State Agency	Federal Expenditures	% of Total
EPA	\$ 130,100,000	.8%
All Others	393,200,000	2.5%

The table below summarizes the number of report findings by State agency and identifies the number of repeat findings.

State Agency	Number of Findings	Repeat Findings
State Comptroller	1	1
Human Services	18	10
Revenue	1	0
Public Aid	12	5
DCFS	9	3
Aging	2	1
Public Health	7	5
State Board of Education	10	3
ISAC	6	4
Community College Board	2	2
Transportation	9	4
Commerce & Economic Opportunity	3	1
Employment Security	10	3
EPA	2	1
Emergency Management Agency	6	0
Corrections	1	0
Natural Resources	1	1
State Police	1	0
TOTAL	101	44

The findings for the first 13 recommendations are very similar and relate to the timely compilation of a complete and accurate schedule of expenditures of federal awards (SEFA). The State's process for preparing the SEFA requires each State agency to complete a series of both automated and manual financial reporting forms which detail various information by fund. The financial statements are compiled by the Office of the State Comptroller. The forms are collected by the Comptroller and are reviewed for any discrepancies or errors. Once all errors and discrepancies have been resolved with the responsible agency, the finalized forms are compiled into an electronic data base and forwarded to the Office of the Auditor General for the compilation of the SEFA.

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The Auditors noted that the overall reporting process for the State continues to be delayed by the complexity and manual nature of the forms and delays in their submission by the State Agencies. State's process for reporting information to compile the SEFA is inadequate to permit timely and accurate reporting in accordance with the March 31 deadline.

RECOMMENDATIONS 1-13

Office of the Comptroller (Rec #1), DHS (Rec #2), DCFS (Rec #3), DPA (Rec #4), ISBE (Rec #5), ISAC (Rec #6), ICCB (Rec #7), IDOT (Rec #8), DCEO (Rec #9), DES (Rec #10), IEMA (Rec #11), DOC (Rec #12) and DNR (Rec #13)

05-02. The auditors recommend IDHS review the current process for reporting financial information to the State Comptroller (IOC) and implement changes necessary to ensure the timely submission of complete and accurate forms. This process should include a reconciliation of the reporting packages to the accounting system and reports submitted to federal agencies. (Repeated-2002)

Findings: IDHS does not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) is accurate and timely.

The State's process for preparing the basic financial statements and the schedule of expenditures of federal awards (SEFA) requires each state agency to complete a series of both automated and manual financial reporting forms (SCO forms) which detail various information by fund.

During the review of the financial reporting process, the auditors noted that the IDHS information for the preparation of the State's financial statements and SEFA was not completed in a timely manner. Additionally, several correcting journal entries were required to accurately state amounts reported by IDHS. Further, IDHS had to restate their FY04 financial statements due to the failure to record federal grant revenues of \$24,020,000 for the Special Education – Grants for Infants and Families with Disabilities program. As a result, the expenditures in the 2004 schedule of expenditures of federal awards were understated by this amount.

In discussing this with IDHS officials, they stated the Early Intervention Program does not have any federal expenditure reporting requirements. The Office of Fiscal Services did not have the information available to determine the proper federal grant revenue and expenditure amounts related to the Early Intervention program.

Response: The Office of Fiscal Services will work with the DHS program areas to ensure the proper reporting of all federal Early Intervention program activity. A reconciliation of the expenditure amounts claimed to the amounts reported in the GAAP reporting package

is completed for all major federal programs. All GAAP reporting packages for State fiscal year 2005 were submitted timely to the Office of the Comptroller.

Auditors' Comment: Although the Agency has made significant efforts to complete its GAAP forms in a more timely manner than prior years, the GAAP packages originally submitted by the Agency required significant adjustments to properly state amounts. Additionally, as noted above, the Agency's prior year financial statements were restated due to the inaccurate reporting of Early Intervention revenue and expenditures. We believe the Agency's financial reporting process should be modified to ensure financial information submitted to the Illinois Office of the Comptroller is both timely and accurate.

Updated Response: Implemented. Corrective action implemented as of 01/05/07:

- The IDHS Bureaus of General Accounting and Federal Reporting worked together to determine the estimated liability amounts reported in the FY06 GAAP reporting packages for all major federal programs.
- Estimated liability amounts for GAAP was submitted in September, 2006 (9/14/06).
- DHS submitted all FY06 GAAP reporting packages to the Comptroller's Office by the due dates. The auditors have completed the audit of FY06 GAAP reporting packages and no material adjustments were required.

05-14. The auditors recommend IDHS review its current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that federal and state expenditures expended by other state agencies meet the applicable program regulations and are not claimed or used to meet matching or maintenance of effort requirements under more than one federal program. Also, IDHS should establish a process for updating interagency agreements on a periodic basis for any changes affecting its federal programs and implement procedures as necessary to ensure up to date interagency agreements are on file for all agencies. (Repeated-2003)

Findings: IDHS does not have an adequate process for monitoring interagency expenditures claimed under the Temporary Assistance for Needy Families (TANF), Child Care Cluster (Child Care), and Social Services Block Grant (Title XX) programs.

During the year ended June 30, 2005, IDHS used expenditures from other agencies to claim reimbursement for or satisfy maintenance of effort (MOE) requirements for the TANF, Child Care, and Title XX programs as follows:

Program	Expending State Agency	Expenditures Claimed	Total Expenditures
Federal TANF	Children and Family Services	\$ 58,742,533	\$ 585,595,000
Federal TANF	Student Assistance Commission	\$ 49,376,383	\$ 585,595,000

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Federal TANF	Revenue	\$ 14,644,632	\$ 585,595,000
Federal TANF	Corrections	\$ 9,581,731	\$ 585,595,000
Federal TANF	Community College Board	\$ 2,527,974	\$ 585,595,000
Federal TANF	Public Aid	\$ 2,097,716	\$ 585,595,000
Federal TANF	State Board of Education	\$ 1,871,335	\$ 585,595,000
TANF MOE	Public Aid	\$ 57,991,348	\$ 391,203,000
TANF MOE	State Board of Education	\$ 27,927,864	\$ 391,203,000
TANF MOE	Community College Board	\$ 2,721,734	\$ 391,203,000
TANF MOE	Revenue	\$ 281,383	\$ 391,203,000
TANF MOE	Commerce and Economic Opportunity	\$ 83,125	\$ 391,203,000
Child Care MOE	Children and Family Services	\$ 11,081,836	\$ 119,090,000
Social Services Block Grant	Children and Family Services	\$ 8,019,095	\$ 87,826,000

In addition, IDHS has not established procedures to ensure up to date interagency agreements are maintained for all agencies providing IDHS with expenditures for its federal programs.

Response: Agree. IDHS has started a review of all interagency expenditure claims. Internal control surveys were developed and sent to all agencies that provide expenditures claimed in the Block Grant programs. Three of those surveys have been completed and returned. Additional meetings with DCFS, ISAC, ISBE and ICCB will be necessary. IDHS has developed a certification letter that is to be signed and submitted with each claim from another agency. Interagency agreements with the above agencies are in place, but will continue to be reviewed. The interagency agreement with IDHFS is in process of being updated for the LIHEAP program. Quarterly expenditure detail is being requested from all agencies that provide expenditures claimed in the Block Grant programs. IDHS will continue the effort to follow the inter-agency agreement.

Updated Response: Partially Implemented.

Corrective action implemented:

- DHS has completed monitoring survey document and sent to agencies with TANF and SSBG expenditure claims.
- OFS has reviewed surveys returned from HFS, Revenue and ISA.
- OFS has reviewed interagency agreements for programs and effective dates.

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- Phone conferences and in-person meetings have been held with DCFS.
- Interagency Agreement is not needed for FY06 from the University of Illinois (U of I) because U of I expenditures were not used on the FFY06 TANF claim.
- DHS has requested and received quarterly expenditure detail from all agencies that provide expenditures claimed in the Block Grant programs. HFS provided quarterly detail info on CD for Q/E 9/30, the Dept of Revenue provides electronic database via file transfer to DHS MIS and DCFS provides summary of quarterly detail info to DHS.
- DHS has developed a certification letter that is to be signed and submitted with each claim from another agency.

Corrective action to be completed:

- DHS has received internal control survey information from DFS. Additional information requested on 11/30/06 has not been received.
- ISBE returned completed survey on 12/14/06. Follow up with ISBE to be scheduled.
- DHS legal has reviewed the updated LIHEAP interagency agreement. DHS Secretary has also signed the amendment. We are waiting for DPA Director to sign and return the amendment to DHS.

Note: Surveys are no longer needed from the Dept. of Corrections (DOC), Illinois Community College Board (ICCB) and the University of Illinois (U of I) because expenditures for DOC and U of I are not being used in the TANF claim for FFY06.

05-15. The auditors recommend IDHS review its process for identifying expenditures claimed under its federal programs and used to meet its maintenance of effort requirements and implement changes necessary to ensure federal and state expenditures are identified and accounted for in accordance with the applicable program regulations. Additionally, IDHS should implement procedures to ensure all cash draws are adequately supported prior to requesting federal reimbursement.

Findings: IDHS did not have adequate fiscal administrative processes to ensure the Special Education – Grants for Infants and Families with Disabilities (Part C) and the Maternal and Child Health Services Block Grant to States (MCH Block Grant) programs were administered in accordance with the provisions of laws, regulations, and the respective State Plans.

IDHS provides a variety of services under its State-operated Early Intervention (State EI) program to children ages newborn to 3 years who have been diagnosed with developmental disabilities. Given the broad purposes and populations served by the State EI program, IDHS receives reimbursement for State EI expenditures under three federal programs and uses a portion of State EI expenditures to meet the maintenance of effort (MOE) requirements for two federal programs. IDHS has identified State EI expenditures as follows for fiscal years 2003, 2004, and 2005:

Program	Type of Funds	2003 Expenditures	2004 Expenditures	2005 Expenditures
Medicaid Cluster	Federal	\$35,568,000	\$34,772,000	\$57,741,000
Title XX	Federal	10,159,000	31,683,000	6,029,000
Part C	Federal	13,383,000	16,093,000	27,265,000
Part C	MOE	7,972,000	8,070,000	8,525,000
MCH Block Grant	MOE	18,200,000	17,749,000	17,238,000
Total		\$85,282,000	\$108,367,000	\$116,798,000

IDHS first identifies specific State EI expenditures that are to be claimed under the Medicaid and Title XX programs. The remaining expenditures are considered “available” for the Part C and MCH Block Grant programs. IDHS administered the Part C and MCH Block Grant programs under the premise that there were sufficient remaining expenditures available to meet the requirements of these programs, but never identified the specific expenditures used for the respective Federal and MOE requirements. It was also evident that IDHS did not monitor whether it was meeting the MOE requirements during the last three fiscal years as a MOE calculation (documentation) was not available upon our initial request. Subsequently, several changes were made to the MOE calculation in an attempt to substantiate compliance with this requirement.

During test work over the EI program, the auditors we were unable to obtain sufficient and competent audit evidence to allow them to ascertain that IDHS had complied with the compliance requirements that are direct and material to the Part C program. As of the date of the procedures, IDHS had not specifically identified the underlying expenditures claimed under the federal Part C program or those used to meet its MOE requirements for Part C and the MCH Block Grant.

As a result, the auditors were not able to select a sample of transactions from a complete population of expenditures claimed for reimbursement or used to meet MOE requirements. In discussing these conditions with IDHS officials they stated their interpretation of the Part C MOE requirement did not require the identification of specific expenditures as MOE, but the specific underlying expenditures to support the Part C claim were identified.

Response: Agree. IDHS has already begun a review of our accounting processes for the Early Intervention program. Changes to procedures for cash draws have already been implemented and other enhancements to the accounting process are scheduled for implementation before July 1, 2006.

While IDHS did delay requesting funds from the 2003 and 2004 Part C grants until fiscal year 2005, that process did not violate any provisions of the Part C grant agreements.

Updated Response: Implemented.

- The Department of Human Services (DHS) formed an EI Workgroup to formulate a strategy to implement new methods and procedures for the financial operation of the Early Intervention program.

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- Scheduled meetings and developed a two-phase list of objectives for improving the program.
- Processed payment voucher transaction files from the Central Billing Office (CBO) via DHS CARS accounting system.
- Transfer files were transferred via FTP process.
- DHS tested files and implemented processing in DHS CARS system the week of 4/1/06.
- Developed FTP procedures for CBO transfer of FA05 voucher data report.
- Developed methodology for completing MOE calculation for Part C grant.
- Developed FTP procedures for CBO transfer of claiming files. Claiming file information is now downloaded from the internet.

05-16. The auditors recommend IDHS work with IDOC to establish formal eligibility criteria for inmates to be claimed under the TANF program. Such eligibility criteria should include provisions to limit TANF funding to those inmates who will have the ability to benefit from the services provided. In addition, IDHS and IDOC should obtain federal approval of the cost allocation methodology used to assign adult education costs to the TANF program.

Findings: IDHS claimed expenditures under the Temporary Assistance for Needy Families (TANF) program which were unreasonable and determined using an unapproved cost allocation methodology. This resulted in \$9.6 million in questioned expenditures.

During FY05, IDHS claimed approximately \$9.6 million in expenditures under the TANF program from an adult education program operated by the Illinois Department of Corrections (IDOC). The interagency agreement does not identify the inmate eligibility criteria to be used, the applicable allowable cost provisions, or any of the applicable TANF laws and regulations.

Subsequent to the execution of this interagency agreement, IDHS and IDOC have informally identified criteria to be used in identifying inmates for claiming under TANF. As a result, IDOC limits the inmates included in its quarterly claim to those that: (1) have children and (2) have not been convicted of certain classes of felonies. However, neither IDHS nor IDOC have implemented procedures to ensure that the inmates served under this program will be released within a reasonable period of time (within a three year period) to enable them to benefit from the skills attained from the education courses. Consequently, these expenditures are not reasonable costs as defined in OMB Circular A-87.

Additionally, as the costs for this program can not be directly assigned to each individual inmate participating in the program, IDOC calculates an "amount per inmate" each quarter by dividing the total cost of operating the adult education program by all participating inmates. The amount per inmate is then multiplied by the number of inmates who meet the criteria noted above and is then reported to IDHS for claiming under TANF. These

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calculations represent a cost allocation methodology which has not been approved by the federal cognizant agency.

Response: Disagree. In accordance with 45 CFR 260.2(b), these expenditures were reasonably calculated to accomplish the purposes of TANF, which is to end the dependence of needy parents on government benefits by promoting job preparation, work and marriage.

IDHS disagrees with the conditions as stated in the finding. Reasonable costs, as defined in OMB Circular A-87 (Revised May 10, 2004) Attachment A, Part C are defined as costs that do not exceed, in nature and amount, what would be incurred by a prudent person. While it is difficult to quantify the value of a high school, college or vocational education, the Department believes the skills the inmates attain from this program will benefit them and their families for the rest of their lives. Some of the educational programs, by their nature, take longer than two years to complete. The assessment of a three-year period is an arbitrary judgment, and it is not reasonable and prudent to suppose that, for example, persons released after five year period would not benefit from the skills attained in an educational course completed three years prior. Therefore, IDHS considers the costs of this adult education program reasonable as defined in OMB Circular A-87.

The Department also disagrees with the auditor's belief that the adult education program costs are calculated using a cost allocation methodology requiring federal cognizant agency approval. IDOC calculates a "per hour" cost for the program. Total program expenditures are divided by total instructional hours to achieve a per hour rate. The claim amount is then calculated by multiplying the hourly rate times the number of instructional hours for each eligible TANF inmate enrolled in the program. Because individual hourly records are kept, these costs can be tied to individual participants.

Accordingly, these costs fall under the definition of direct costs as defined in OMB Circular A-87, and are readily assignable to a specific program, which negates the need for this program's inclusion in DHS' Cost Allocation Plan. Furthermore, in 45 CFR 95.505, the definition of state agency costs that require cost allocation plans excludes "payments for services and goods provided directly to program recipients...as provided for under the approved State program plan." These payments are for direct services to program recipients and were covered in the State TANF Plan under additional program provisions, Section 8, F, #3. A State Plan amendment (Section 8, F, #21) further clarifies our intent.

Auditors' Comment: We do not believe the purpose of TANF was to provide funding for educational programs from which individuals will not benefit for extended periods of time. As previously stated, neither IDHS nor IDOC have implemented procedures to ensure that the inmates served under this program will be released within a reasonable period of time to enable them to benefit from the skills attained from the education courses. Based upon consultation with federal TANF program personnel, we have interpreted a reasonable period of time to be three years.

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In addition, we also believe that the “per hour” calculation represents an indirect cost allocation methodology as the “per hour” amount calculated each quarter varies as a result of the course costs and the number of inmates served. These variances inhibit IDHS’ ability to directly link an eligible individual with the amount claimed for reimbursement. Consequently, we continue to recommend that IDHS obtain federal cognizant approval for the allocation methodology.

Updated Response: Not Accepted. The Illinois Department of Human Services (IDHS) disagreed with the finding and is waiting for federal response. IDHS is currently waiting for request from federal government for additional response or answers to their questions.

IDHS has corresponded with GOMB that we do not intend to claim any costs from the Illinois Department of Corrections until we have a response from federal program staff regarding our audit response.

05-17. The auditors recommend IDHS review the process and procedures in place to identify expenditures used to satisfy the TANF maintenance of effort requirement and implement changes necessary to ensure those same expenditures are not used for any other purpose.

Findings: State funded Low-Income Home Energy Assistance program (LIHEAP) expenditures were improperly used both to meet the maintenance of effort (MOE) requirement of the Temporary Assistance for Needy Families (TANF) program and to obtain leveraging incentive awards under the LIHEAP program.

IDHS is the State agency responsible for administering the TANF program. As a condition of receiving federal TANF funds, the State is required to maintain a level of “qualified” state funded expenditures for programs or services benefiting eligible families (TANF MOE requirement).

DCEO was the State agency responsible for administering the LIHEAP program until July 1, 2004 at which point IDPA began administering the program. On an annual basis, DCEO/IDPA applies for leveraging incentive awards for grantees that use non-federal resources to help low-income persons meet their home heating and cooling needs under the LIHEAP program. As a condition of receiving the leveraging incentive awards, DCEO/IDPA is required to submit an annual report describing the non-federal resources used to provide these benefits.

The auditors noted the State LIHEAP expenditures reported by DCEO on the annual LIHEAP Leveraging reports submitted for awards received in federal fiscal years 1998 through 2003 and by IDPA in federal fiscal years 2004 and 2005 were also used by IDHS to meet the TANF MOE requirement in each of those years. TANF and LIHEAP regulations prohibit the use of the same expenditures under multiple federal programs.

Response: Agree. We have been working closely with IDPA officials to resolve this issue. IDPA officials have stated to IDHS that State expenditures used on the LIHEAP leveraging application in the future will not include any amounts claimed as TANF MOE. We believe these expenditures should not have been included on the LIHEAP Leveraging Award application, since at the time that application was completed the TANF claim had already been processed.

Updated Response: Implemented.

- DHS and DPA officials have contacted TANF and LIHEAP federal program officials to work out a resolution.
- LIHEAP officials have considered a financial settlement amount.
- DHS and DPA officials have agreed to use these expenditures as TANF MOE.
- DPA has obtain response from federal officials with required corrective action plan:
 - 1). DPA has entered into agreement with Feds to repay LIHEAP leveraging funds.
 - 2). As of 1/2007, \$1,500,000 has been paid back to the Feds by DPA for the federal LIHEAP dollars.

05-18. The auditors recommend IDHS review its current process for performing eligibility re-determinations and consider changes necessary to ensure all redeterminations are performed within the timeframes prescribed within the State Plans for each affected program. (Repeated-2003)

Findings: IDHS is not performing “eligibility redeterminations” for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF), State Children’s Insurance Program (SCHIP), and Medicaid programs in accordance with timeframes required by the respective State Plans.

Each of the State Plans for the TANF, SCHIP, and Medicaid programs require the State to perform eligibility re-determinations on an annual basis. These procedures typically involve a face to face meeting with the beneficiary to verify eligibility criteria including income level and assets. During our test work over eligibility, we noted the State was delinquent (overdue) in performing the eligibility re-determinations for individuals receiving benefits under the TANF, SCHIP, and Medicaid programs based on the following monthly statistics for state fiscal year 2005:

TANF	3,289 of 41,756 cases	7.9%
SCHIP	58,698 of 509,497 cases	11.5%
Medicaid	31,899 of 368,214 cases	8.7%

The current State Plans require re-determinations of eligibility for all recipients on an annual basis.

Response: Agree. IDHS agrees to review the Division’s current process for performing eligibility re-determinations and consider any changes that would ensure improvement of the rates. IDHS has revised the IDHS TANF State Plan to show that the re-determination

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completion rate will comply with federal guidelines. The revision is currently awaiting approval from USDHHS.

Updated Response: Implemented.

- HCD has set and distributed performance targets to improve the percentage for completing redeterminations.
- The establishment of targets will make redetermination currency a statewide priority.
- HCD has obtained Federal approval of the State Plan, states that DHS will make every effort to complete eligibility redeterminations within federal guidelines. FY2006 and FY2007 currency statistics have represented consistent improvement in timely redeterminations.

05-19. The auditors recommend IDHS review its current process for sanctioning beneficiaries not cooperating with the State's child support enforcement efforts and consider changes necessary to ensure benefits are reduced or denied in accordance with the State Plan. (Repeated-2003)

Findings: IDHS did not enforce sanctions required by the State Plan for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF) program who did not cooperate with child support enforcement efforts.

As a condition of receiving cash assistance under the TANF program, beneficiaries are required to assist the State in establishing paternity or establishing, modifying, or enforcing child support orders by providing information to the Illinois Department of Public Aid (IDPA) to help identify and locate non-custodial parents. In the event a TANF beneficiary fails to assist IDPA without good cause, IDHS is required to reduce or deny his/her TANF benefits.

During test work over the Child Support Non-Cooperation Special Test of the TANF program, we selected 30 Child Support cases referred by IDPA for non-cooperation without good cause.

- In two cases, IDHS did not sanction beneficiaries for non-cooperation.
- In six cases, IDHS did not evaluate beneficiaries for non-cooperation within the required timeframes.
- IDHS did not sanction beneficiaries for non-cooperation or document good cause existed for non-cooperation with IDPA.

In discussing these conditions with IDHS officials, they stated that they disagree with the finding. Delays in the evaluation process could be attributed to the lack of electronic interface between the IV-A (IDHS) and IV-D (IDPA) agencies. Since the IDHS and IDPA computer systems do not interface, the Form 1611 (Notice of Failure to Cooperate) process is manual. The IDPA Division of Child Support Enforcement (DCSE) completes and sends Notice of Failure to Cooperate to the IDHS local office. DCSE marks the non-cooperation reason and the date of non-cooperation on the form. IDHS local office

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receives Form 1611 from DCSE and begins the reconciliation process. The manual process generates inefficiencies in the delivery and processing of the 1611s.

Response: Disagree. The two cases cited in the first dot point (In two cases, IDHS did not sanction beneficiaries for non-cooperation) did not cooperate with Child Support and are no longer receiving TANF cash. Benefits paid to these two individuals for the period of non-compliance during the fiscal year ending June 30, 2005 were \$4,940. IDHS will seek to recover the overpayments through all means authorized by statute.

In the second dot point (In six cases, IDHS did not evaluate beneficiaries for non-cooperation within required timeframes) of this finding, there were six cases cited that were not evaluated for non-cooperation on a timely basis. In each case, a reconciliation was performed, and it was determined a sanction would have been inappropriate. Benefits paid to these six individuals during the period of non-compliance were \$2,453.

The third dot point (IDHS did not sanction beneficiaries for non-cooperation or document good cause existed for the non-cooperation with IDPA) is a repeated finding due to a cross over in fiscal years of the one-time implementation of IDPA's new intake model. The cases that were impacted during IDPA's implementation were re-evaluated to avoid imposing a sanction on families that may have been compliant during IDPA implementation. IDPA's new intake model is now fully implemented and IDHS ensures that all TANF recipients who are reported as non-cooperative are reconciled and sanctioned as appropriate.

Auditors' Comment: Although IDHS provided documentation supporting that cases included in the first and second bullets of the finding above were evaluated or sanctioned in a period subsequent to our test period, the documentation did not clearly demonstrate that IDHS had determined good cause existed in our test period and that a sanction was not required during the tested period. As such, we do not believe IDHS complied with the applicable regulations in these cases.

In addition, the TANF State Plan clearly states IDHS is required to sanction TANF recipients who fail to cooperate with the Child Support Enforcement program where there is not valid good cause for failing to cooperate with the Child Support Enforcement program. As discussed in the finding above, for the period from May 13, 2004 through September 30, 2004, IDHS did not evaluate 3,712 TANF cases in which a notice of noncooperation was generated by the KIDS system to determine whether good cause existed. Instead, IDHS and IDPA agreed to grant these cases amnesty due to the change in the Child Support Enforcement intake process without further investigation or evaluation. We do not believe it is within the State's authority to determine good cause existed without first evaluating the specific facts and circumstances pertaining to each case in accordance with its established policies and procedures.

Updated Response: Not Accepted.

- HCD implemented and distributed a monthly listing beginning 07/2005 to field offices that includes all cases that have been reported to IDHS by IDPA as non-cooperative

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with the Division of Child Support Enforcement (DCSE). This listing is monitored for follow-up at a local and regional level.

- In 02/2006, each Region submitted a plan of action ensuring TANF recipients who are reported as non-compliant are reconciled and sanctioned as appropriate.
- HCD created a statewide listing of Child Support liaisons including a name, phone number and email address for the liaison in each FCRC. This list was distributed to IDPA in June 2005 and updated in March 2006.
- IDHS staff and IDPA DCSE staff are actively engaged in the implementation of a multi-faceted collaboration action plan to improve workflow and communications between the two agencies. Among other initiatives, this plan includes improvements to our electronic communication systems as well as increased shared knowledge through training of both staffs and regular meetings.
- Implementation of a system that would allow automated communication of the DPA 1611, non-cooperation notice: currently in the final design phase.
- Training of HCD front line staff on CSE procedures and systems: First Train the Trainer sessions completed 11/2006, additional roll-out is ongoing.

05-20. The auditors recommend IDHS implement procedures to ensure only expenditures made for programs that are included in the State plan and that meet one of the four purposes of TANF are claimed. (Repeated-2003)

Findings: IDHS claimed expenditures under the Temporary Assistance for Needy Families (TANF) program for a State-operated program that did not meet one of the four purposes of the TANF program.

IDHS claimed approximately \$1.9 million in expenditures under the TANF program from the Regional Safe Schools program operated by the Illinois State Board of Education. The purpose of the Regional Safe Schools program is to provide an alternative education to Illinois residents who have been expelled from local school districts for behavioral problems.

In discussing these conditions with IDHS officials, they stated that IDHS stopped claiming Regional Safe Schools program expenditures at the end of Federal Fiscal Year 2004 (September 30, 2004) in accordance with the USDHHS program guidance issued April 14, 2005 and the audit recommendation in the State Fiscal Year 2004 Single Audit issued May 16, 2005. The prior years audit recommendations have been resolved with USDHHS and they are aware of the time periods that IDHS claimed these expenditures.

Response: Partially agree. IDHS has complied with the federal program instruction TANF-ACF-2005-01 on educational costs issued in April 2005.

Updated Response: Implemented.

- IDHS has forwarded responses to earlier findings from '03 and '04 audits to DHHS ACF Region V fiscal integrity team.

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- IDHS stopped claiming Regional Safe Schools (RSS) expenditures at the end of FFY04.
- IDHS considers these findings resolved.
- IDHS has not claimed Regional Safe Schools' expenditures since 9/30/04. There are no Regional Safe Schools expenditures on Federal Fiscal Year 2006 claims.

05-21. The auditors recommend IDHS review its process for determining the allowability of payments on the behalf of beneficiaries and consider the changes necessary to ensure only allowable costs for beneficiaries determined eligible are charged to the federal program.

Findings: IDHS made unallowable expenditures on behalf of eligible beneficiaries of the Rehabilitation Services – Vocational Rehabilitation Grants to States (Vocational Rehabilitation) program.

The Vocational Rehabilitation program is designed to provide services to certain individuals who have physical or mental impairments that impede them from attaining employment. Services provided under the Vocational Rehabilitation program vary and are designed specifically for each beneficiary based upon the facts and circumstances faced by the beneficiary. Most services are considered allowable if they are required to assist the beneficiary to attain his/her employment goal and are documented in the beneficiary's Individualized Plan for Employment (IPE).

During test work of Vocational Rehabilitation beneficiary payments, the auditors selected 60 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted the following exceptions during our test work:

- In two cases, a signed copy of the Individualized Plan for Employment (IPE) was not on file for the beneficiary. Payments made during the year ended June 30, 2005 for services related to these beneficiaries totaled \$2,297.
- In one case, payments were made on behalf of a beneficiary to pursue an undergraduate degree which was not consistent with the client's vocational goal as documented in her IPE. Expenditures made on behalf of this individual to obtain her undergraduate degree during the year ended June 30, 2005 totaled \$666. Expenditures made for the same purpose in previous years were \$1,928.
- In one case, payments were made on behalf of a beneficiary to establish a business for which a self-employment business plan was not completed. The beneficiary's IPE indicated his vocational goal was to become a self-employed real estate sales agent. (1) The beneficiary should have had prior business experience and training in the business, (2) a business plan (in addition to the IPE) should have been required, and (3) costs should have only been reimbursable up to 50%. Expenditures made on behalf of this individual during the year ended June 30, 2005 totaled \$10,546. Expenditures made for the same purpose in previous years were \$2,368.

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An IPE must be signed by the eligible individual (or his/her representative) and a qualified vocational rehabilitational counselor. For participation in the self-employment program, the customer must have prior successful business operation experience and previous formal education/training in the business and must complete a business plan.

Response: Agree. The IDHS Division of Rehabilitation Services (DRS) has issued a reminder to staff on the importance of obtaining signatures. DRS agree with the second dot point (payments made on behalf of a beneficiary to pursue an undergraduate degree), and has issued reminder to staff regarding the purposes of vocational rehabilitation. The third dot point (payments made on behalf of a beneficiary to establish a business) is the result in a disagreement regarding the interpretation of what qualifies as self-employment and DRS will review its rules to ensure that there is more clarity.

Updated Response: Implemented.

- IDHS, DRS has issued a reminder to staff on the importance of obtaining signatures and the purposes of vocational rehabilitation.
- IDHS, DRS has reviewed its rules to ensure that there is more clarity regarding the interpretation of what qualifies as self-employment.

05-22. The auditors recommend IDHS review its current process for performing eligibility determinations and consider changes necessary to ensure all eligibility determinations are made in accordance with program regulations. In addition, we recommend IDHS implement procedures to ensure eligibility determinations are reviewed for case workers who are terminated for performance reasons. (Repeated-2004)

Findings: IDHS did not determine the eligibility of beneficiaries under the Rehabilitation Services – Vocational Rehabilitation Grants to States program (Vocational Rehabilitation) in accordance with federal regulations.

During test work of Vocational Rehabilitation beneficiary payments, the auditors selected 60 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits, and noted the following exceptions during test work:

- In three cases, IDHS did not determine eligibility within the required 60-day timeframe.
- In one case, services were provided to an individual whose case file did not document the existence of a physical or mental impairment that caused substantial impediment to the attaining employment.

Upon further investigation, the auditors noted the case worker responsible for the eligibility determination referenced in the second bullet point above was terminated for performance reasons. As a result, the auditors requested IDHS perform a review of all cases determined eligible by this case worker during the audit period and noted the following additional exceptions:

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- In two cases, IDHS did not determine eligibility within the required 60 day timeframe.
- In two cases, individuals whose case files did not document the existence of a physical or mental impairment that caused substantial impediment to attaining employment were found to be eligible by the case worker.

In discussing these conditions with IDHS officials, they stated that delays occurred which prevented the customer from being certified within the prescribed timeframes. IDHS has implemented procedures to ensure eligibility determinations are reviewed.

Response: Agree. The IDHS Division of Rehabilitation Services (DRS) agrees with the finding and has reemphasized to Division staff the need to follow established program rules in regard to these issues.

Updated Response: Implemented. IDHS, DRS has reemphasized to staff the importance of following the proper procedure in determining eligibility.

05-23. The auditors recommend IDHS review the process and procedures in place to prepare PACAP amendments and implement changes necessary to ensure cost allocation methodologies accurately reflect programmatic activities.

Findings: IDHS has not amended the allocation methodology included in the most recently submitted Public Assistance Cost Allocation Plan (PACAP) to accurately allocate the costs of its Early Intervention Program (State EI) to all applicable federal programs.

During the review of costs allocated to federal programs during the quarter ended December 31, 2004, the auditors noted the allocation methodology included in the PACAP for the State EI program does not reflect the actual activities of the program.

In discussing these conditions with IDHS officials, they stated that the cost allocation methodology as defined in the Public Assistance Cost Allocation Plan (PACAP) was sufficient under their interpretation of the Part C MOE requirement. IDHS followed PACAP methodology that is on file with the United States Department of Health and Human Services (U.S. DHHS), Division of Cost Allocation.

Failure to amend PACAP cost allocation methodologies for changes in program administration may result in disallowances of costs.

Response: Agree. IDHS will submit an amendment to USDHHS to change the allocation methodology for distributing administrative costs of the Early Intervention program. The USDHHS Division of Cost Allocation must also approve the amended language. No net change in federal funding is expected as a result of this amendment.

Updated Response: Implemented.

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- IDHS has submitted an amendment to the US DHHS DCA to change the allocation methodology for distributing administrative costs of the Early Intervention program by 6/30/06.
- DHS has implemented the amendment with verbal approval from the Department of Health and Human Services cost allocation reviewer.
- No net change in federal funding is expected as a result of this amendment.

Corrective Action to be completed:

- The USDHHS Division of Cost Allocation must also approve the amended language.
- PACAP amendment was submitted with an effective date of 4/1/06.

Note: Although DHS has not yet received the Department of Health and Human Services approval of the cost plan amendment, DHS has implemented the amendment with verbal approval from the Department of Health and Human Services cost allocation reviewer.

05-24. The auditors recommend IDHS obtain written documentation of the assignment of child support rights from all TANF beneficiaries.

Findings: IDHS did not obtain written documentation from beneficiaries of the Temporary Assistance for Needy Families (TANF) program supporting they had assigned their rights to child support payments to the State.

As a condition of receiving cash assistance under the TANF program, beneficiaries are required to assign their rights to collections of child support payments to the State during the time periods the individuals are receiving TANF cash benefits. IDHS has designed its standard application for benefits to include an acknowledgement that the applicant understands child support payments collected on his or her behalf may be retained by the State as long as TANF benefits are being received. During test work over 50 TANF beneficiaries, the auditors noted two beneficiaries for which the standard application was not used and for which an acknowledgement of assigning child support payments to the State was not available. It was determined that these beneficiaries completed a short form of the application which does not include the client rights and responsibilities certification page.

In discussing these conditions with IDHS officials, they stated the short form application was used to apply for the Temporary Assistance for Needy Families (TANF) cash when there is an established TANF Medical Assistance No Grant (MANG) case. In cases that have used a short form application, the regular application with the child support assignment of rights is typically present.

Response: Agree. In both cases, the Child Support assignment of rights has been secured and incorporated in the case file. Current policy covers these instances by requiring the regular application presence in the record if the short form is used. Although this is not a systemic problem, we agree to ensure all staff are aware of the assignment of

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rights requirements. The application form used in all current applications includes the assignment of rights language.

Updated Response: Implemented.

- IDHS, HCD has secured the assignment of rights language for both cases, and kept them present in both case records.
- Written communication has been sent to all staff ensuring awareness of the child support assignment of rights requirements.
- The Assignment of Rights language has been added to Form 2905, application for TANF cash benefits, ensuring that any recipients who did not sign over their rights at initial application will do so prior to approval for cash.

05-25. The auditors recommend IDHS review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken. In addition, ensure programmatic on-site reviews are performed for subrecipients in accordance with established policies and procedures. (Repeated-2002)

Findings: IDHS did not communicate or follow up on findings from its on-site fiscal monitoring reviews for subrecipients of the Special Supplemental Nutritional Program for Women, Infants, and Children (WIC), Rehabilitation Services – Vocational Rehabilitation Grants to States (Vocational Rehabilitation), Temporary Assistance for Needy Families (TANF), Child Care Cluster, Social Services Block Grant (Title XX) or Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs in a timely manner.

IDHS has implemented procedures whereby the program and fiscal staff perform periodic on-site reviews of IDHS subrecipient compliance with state and federal regulations applicable to the programs administered by IDHS. Generally, these reviews are formally documented and include the issuance of a report of the review results to the subrecipient summarizing the procedures performed, results of the procedures, and any findings or observations for improvement noted. IDHS' policies require the subrecipient to respond to each finding by providing a written corrective action plan.

During test work of 150 subrecipients of the WIC, Vocational Rehabilitation, TANF, Child Care Cluster, and Title XX programs, the auditors noted that some subrecipients were not notified of review results within 60 days (17), and some not at all (12). Some subrecipients did not submit a corrective action plan (5).

In addition, during test work of expenditures to subrecipients of the Vocational Rehabilitation, TANF, Child Care Cluster, Title XX, and SAPT programs, the auditors noted 15 subrecipients, with related expenditures of \$16 million, for whom on-site program reviews have not been performed within the last three years.

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In discussing these conditions with IDHS officials, they stated that this was a finding that was brought to IDHS attention in a prior audit. At the time of the FY05 audit, IDHS was still working on the implementation of corrective actions.

Response: Agree. During fiscal year 2005 IDHS clarified monitoring procedures to ensure the timely performance of on-site reviews and communication of follow up on on-site monitoring findings. IDHS has implemented procedures to ensure all subrecipients are monitored and that timely corrective action and notification is taken.

Updated Response: Implemented.

- IDHS, Division of Human Capital Development (HCD) monitoring procedures have been clarified to address the items cited in the audit finding.
- HCD has established a Quality Review team, which also tracks and ensures monitoring reports are issued within 60 days.
- HCD has developed a “monitoring tool” which will assist in the monitoring of timely on site reviews.
- IDHS, Division of Community Health and Prevention (CHP) has drafted and reviewed the three additional monitoring tools.
- CHP On-Site Reviews has been conducted on those Providers previously not receiving on-site reviews.
- CHP finished implementation of new monitoring tools 6/30/2006.
- CHP additional on-site program reviews were completed by June 30, 2006.
- As of SFY 2005, IDHS, Division of Rehabilitation Services (DRS) developed a schedule of on-site reviews designed to ensure that all vendors are visited on a regular cycle.

05-26. The auditors recommend IDHS implement procedures to ensure that all procurements are performed in accordance with the applicable rules and regulations. (Repeated-2004)

Findings: IDHS did not follow the Illinois Procurement Code for certain procurements made under the Social Security Disability Insurance (SSDI) cluster.

During test work over 30 procurements made from the SSDI cluster, the auditors noted IDHS purchased approximately \$37,800 in envelopes from a vendor with whom a contract had not been executed. The procurement was subdivided into 10 separate purchases ranging from \$238 to \$8,919 to avoid the State’s bidding and contract requirements for purchases in excess of \$25,000.

In discussing these conditions with IDHS officials, they stated they were not aware that purchases of consumable supplies, made as needed, are subject to the Illinois Procurement Code. IDHS has made adjustments to ensure the Illinois Procurement Code is complied with henceforth.

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Response: Agree. IDHS has developed procedures to address the audit recommendation. Monitoring tools have been developed to track compliance with the new policy.

Updated Response: Implemented.

- IDHS has developed a policy and procedures to address the audit recommendation.
- SPO has distributed policy developed to appropriate staff.
- Monitoring tools have been developed to track compliance with the new policy.
- DHS has developed a process to ensure Expenditure Monitoring tools implemented are reviewed on monthly basis and weekly during the lapse period.
- Small purchases will be centrally reviewed by each Division (especially, for DHS Schools and Facilities) and a Departmental review by the SPO.
- SPO has developed a process to inform appropriate staff of any master contract issued.
- SPO has also developed process/plan to train appropriate DHS staff on procurement process.

05-27. The auditors recommend IDHS establish a review period of not more than 60 days from the receipt of the OMB Circular A-133 audit reports.

Findings: IDHS did not review OMB Circular A-133 audit reports received from its subrecipients for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Rehabilitation Services – Vocational Rehabilitation Grants to States (Vocational Rehabilitation), Temporary Assistance for Needy Families (TANF), Child Care Cluster (Child Care), Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs on a timely basis.

Subrecipients who receive more than \$500,000 in federal awards are required to submit an OMB Circular A-133 audit report to IDHS. The Office of Contract Administration is responsible for reviewing these reports and working with program personnel to issue management decisions on any findings applicable to IDHS programs. A single audit desk review checklist is used to document the review of the OMB Circular A-133 audit reports.

The auditors selected a total sample of 180 subrecipient monitoring files to review from the above programs, and noted that for 20 subrecipient files, IDHS had not completed the desk review of the subrecipient OMB Circular A-133 reports within 60 days of their receipt by IDHS. Total FY05 subrecipient expenditures was about \$751.2 million.

In discussing the desk review process with IDHS officials, they stated the annual cycle of receipt of reports is uneven, with 75% of all required reporting agencies having a June, July or August fiscal year end.

Response: Agree. The auditors have indicated that there is no timeframe required for review prescribed in the regulations; however, the auditors have interpreted a reasonable timeframe to be 60 days. Effective March 31, 2006, internal procedure has been changed

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so that within 15 business days of receiving forwarded reports from Springfield, the Audit Review Supervisor scans each report for any findings. Reports with findings are prioritized for review before reports without findings; review is usually completed within 60 days. Management decisions on IDHS findings will continue to be issued within six months as required by A-133.

Updated Response: Implemented.

- Effective 03/31/06, internal procedure was changed so that within 15 business days of receiving forwarded reports from Springfield, the Audit Review Supervisor scans each report for any findings.
- Reports with findings are being prioritized for review before reports without findings; review is usually completed within 60 days.
- Management decisions on IDHS findings will continue to be issued within six months as required by A-133.

05-28. The auditors recommend IDHS implement procedures to ensure documentation of subrecipient risk assessments is maintained. (Repeated-2003)

Findings: IDHS did not maintain adequate documentation for subrecipient risk assessments performed.

The Office of Contract Administration (OCA) of IDHS performs on-site monitoring reviews of subrecipients to ensure that they are fiscally capable of administering federal programs. Historically, OCA has used a risk-based approach to select subrecipients for these reviews. During FY05, OCA implemented a revised risk assessment process which uses a weighted mathematical formula to calculate a risk score for each IDHS subrecipient. Each subrecipient's risk score is calculated based upon the accumulated points assigned for 25 risk factors identified by IDHS. IDHS has defined higher risk subrecipients (those selected for review) as subrecipients with risk scores over +1 standard deviation of the mean risk score for the entire population. A database has been developed to document the calculation of each subrecipient's risk score, the mean risk score, and the standard deviation.

During the review of the risk score calculations for 180 subrecipients, the auditors noted the database containing the FY05 risk score calculations used to select subrecipients for fiscal on-site reviews was overwritten when OCA updated the risk factors in subsequent periods. As a copy of the database was not maintained, adequate documentation does not exist to support the risk scores calculations performed to select subrecipients for fiscal on-site reviews performed during the year ended June 30, 2005.

Subsequent to the completion of our test work, IDHS provided a hard copy of the risk score calculations for certain providers for which on-site monitoring procedures were performed during the year ended June 30, 2005. However, the risk score calculations provided represented less than 10% of IDHS' population of subrecipients.

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In discussing the desk review process with IDHS officials, they stated it was an oversight not to maintain a snapshot or copy of the risk factors in the database.

Response: Agree. Effective March 31, 2006, internal procedure has been changed so that a copy of the database is retained each time the risk assessment is performed for the selection of subrecipients at highest risk for assignment of on-site provider review visits.

Updated Response: Implemented.

- Effective 03/31/06, internal procedure was changed.
- A copy of the database is retained each time the risk assessment is performed for the selection of sub recipients at highest risk for assignment of on-site Provider Review visits under 89 IL Administrative Code 509 and the IDHS Community Services Agreement.

05-29. The auditors recommend IDHS review the process and procedures in place to prepare Financial Status Report and supporting schedules and implement changes necessary to ensure these reports are accurate.

Findings: IDHS did not properly report obligated and unobligated amounts in the annual Financial Status Report (SF-269) for the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program.

During test work over the Financial Status Report for the year ended September 30, 2004, the auditors noted the amounts for total unliquidated obligations (line d), federal share of unliquidated obligations (line f), and unobligated balance of federal funds (line i) did not agree to supporting documentation prepared from IDHS' accounting system. Upon further investigation, the amounts reported in the Financial Status Report were based on the amounts recorded in the accounting system; however, the amounts reported were manually adjusted for amounts IDHS intended to obligate, but which were not supported by signed contracts as of the date of the report. These line items were inaccurately reported as follows:

Report Line Item	Amount Per Report	Amount Per Supporting Documentation	Difference
Total unliquidated obligations	\$21,050,438	\$19,626,609	\$1,423,829
Federal share of unliquidated obligations	0	\$19,626,609	(\$19,626,609)
Total federal share	63,778,451	62,354,622	\$1,423,829
Un-obligated balance of federal funds	6,699,003	5,275,174	1,423,829

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In discussing these conditions with IDHS officials, they stated these adjustments were made to reflect obligations in process that were paid in the next quarter. All reported obligations were expended before the end of the grant period.

Response: Agree. IDHS has implemented the use of new accounting reports for use in preparing the SAPT financial status reports.

Updated Response: Implemented. IDHS has developed a new accounting report that provides accurate unliquidated obligation amounts for the SAPT financial status report.

05-30. The auditors recommend IDHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained. (Repeated-2001)

Findings: IDHS could not locate case file documentation supporting client eligibility determinations for beneficiaries of the State Children's Insurance Program (SCHIP).

During test work of SCHIP beneficiary payments, the auditors selected 30 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits.

In each of the case files missing documentation, each of the eligibility criteria, with the exception of the income criteria was verified through additional supporting documentation in the client's paper and electronic case files. The income information used for income calculations was available in Automated Wage Verification System. Therefore all information necessary to establish and support the client's eligibility for the period was available; however, the respective application and/or source documentation related to the redetermination/income verification procedures performed including evidence of case worker review and approval could not be located.

In discussing these conditions with IDHS officials, they stated that the finding is due to paper document filing error.

Response: Agree. In the case cited, documentation was located and now incorporated in the case record.

Updated Response: Implemented.

- In an effort to continue to improve, an audit workgroup was created 04/05.
- Reinforced expectations of filing documentation and ensure prompt retrieval of case files.
- Purchased 254 filing cabinets and place in various FCRCs, in order to assist in our effort to improve in filing and documentation performance.
- Distributed written communication to all staff ensuring an awareness of the importance of filing and proper documentation.

**RECOMMENDATION 31
Department of Revenue**

**RECOMMENDATIONS 32-43
Department of Public Aid**

**RECOMMENDATIONS 44-51
Department of Children and Family Services**

**RECOMMENDATIONS 52-53
Department on Aging**

**RECOMMENDATIONS 54-59
Department of Public Health**

**RECOMMENDATIONS 60-68
Illinois State Board of Education**

**RECOMMENDATIONS 69-73
Illinois Student Assistance Commission**

**RECOMMENDATION 74
Illinois Community College Board**

**RECOMMENDATIONS 75-82
Department of Transportation**

**RECOMMENDATIONS 83-84
Department of Commerce and Economic Opportunity**

**RECOMMENDATIONS 85-93
Department of Employment Security**

**RECOMMENDATIONS 94-95
Illinois Environmental Protection Agency**

**RECOMMENDATIONS 96-100
Illinois Emergency Management Agency**

**RECOMMENDATION 101
Illinois State Police**